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ELLIOTT & ELLIOTT, P.A.  
ATTORNEYS AT LAW  
721 OLIVE STREET  
COLUMBIA, SOUTH CAROLINA 29205  
[ccook@elliottlaw.us](mailto:ccook@elliottlaw.us)

CHARLES H. COOK  
OF COUNSEL

TELEPHONE (803) 771-0555  
FACSIMILE (803) 771-8010

April 20, 2005

VIA HAND DELIVERY

Charles L. A. Terreni, Esquire  
Chief Clerk and Administrator  
South Carolina Public Service Commission  
101 Executive Center Drive  
Columbia, SC 29210

RECEIVED  
2005 APR 20 PM 4:27  
SC PUBLIC SERVICE  
COMMISSION

RE: Application of Carolina Water Service, Inc. for an Adjustment of Rates and Charges and  
Modification of Certain Terms and Conditions for the Provision of Water and Sewer  
Service

Docket No.: 2004-357-W/S

Dear Mr. Ternei:

Enclosed are the original and twenty-five copies (25) copies of the **Testimony of Keith G. Parnell** filed on behalf of Midlands Utility, Inc. in the above referenced docket. By copy of this letter, I am serving all parties of record. I have enclosed an extra copy of this testimony which I would ask you to date stamp and return to me by my courier.

If you have questions or need additional information, please do not hesitate to contact me.

Very truly yours,

ELLIOTT & ELLIOTT, PA

  
Charles H. Cook

CHC/jcl

Enclosures

c: All parties of record (w/enc.)

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

DOCKET NO. 2004-357-W/S

REC'D  
2005 APR 20 PM 4:27  
SC PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

Application of Carolina Water Service, Inc.  
for an Adjustment of Rates and Charges  
and Modification of Certain Terms and  
Conditions for the Provision of Water  
and Sewer Service

**DIRECT TESTIMONY  
OF KEITH G. PARNELL**

1 Q. Please state your name, business address and your affiliation with the applicant.

2 A. **Keith G. Parnell, 816 East Main Street, Lexington, South Carolina 29072. I**  
3 **am the President/Operations Manager for Midlands Utility, Inc. (Midlands).**

4 Q. Please describe your educational and professional background.

5 A. **I graduated from the University of South Carolina with a B.S. Degree in**  
6 **Civil Engineering in 1981 and obtained a Masters from U.S.C. in Water Resource**  
7 **Engineering in 1983. I was employed as an engineer from 1983 to 1985 by the**  
8 **United States Naval Facilities Engineering Command. From 1985 through 1990, I**  
9 **practiced civil engineering for B.P. Barber Company in Columbia, South Carolina.**  
10 **IN 1990 I began working for Midlands Utility, Inc. and two other family-owned**  
11 **companies, Bush River Utilities, Inc. and Development Service, Inc. Since 1990 I**  
12 **have worked as the Operations Manager for those three companies. I am also**  
13 **currently registered as a Professional Engineer by the State of South Carolina.**

14 Q. Please describe Midlands Utility, Inc.

1    **A.     Midlands is a privately owned sewer collection and treatment company.**  
2    **Midlands serves single-family residential customers, mobile home parks, an**  
3    **apartment complex and commercial customers. Included among Midlands'**  
4    **customers are approximately 416 customers living in the Vanarsdale subdivision.**

5    **Q.     Are you familiar with the application of Carolina Water Service for a rate increase**  
6    **in Docket 2004-357-WS?**

7    **A.     Yes.**

8    **Q.     Please describe the relationship between Midlands and Carolina Water Service**  
9    **and how it relates to Docket 2004-357-WS.**

10   **A.     In 1996, Midlands' Vanarsdale treatment facility was unable to meet its**  
11   **discharge requirements. The Department of Health and Environmental Control**  
12   **(DHEC) required Midlands to upgrade or eliminate the facility. To keep costs as**  
13   **low as possible for our customers, Midlands agreed to close the facility and entered**  
14   **a contract with Carolina Water Service to treat the waste generated in the**  
15   **Vanarsdale subdivision (see Exhibit A for correspondence of Keith Parnell on**  
16   **behalf of Midlands and Stephen Kennedy on behalf of Carolina Water Service**  
17   **forming the parties' contract). Midlands' contracted with Carolina Water Service**  
18   **for bulk treatment which was approved by this Commission in Docket No. 95-1151-**  
19   **S (See Exhibit B attached hereto). The subdivision was interconnected to Carolina**  
20   **Water Service's I-20 wastewater treatment facility on December 10, 1996. Carolina**  
21   **Water Service is treating 416 equivalent units. Therefore, the matter before the**  
22   **Commission will directly affect Midlands 416 Vanarsdale customers.**

23   **Q.     Please describe the Vanarsdale customer base.**

1    **A.     Technically, the Vanarsdale customer base consist of approximately 416**  
2    **REUs. This figure consist of 228 apartment units, 38 commercial REUs, and**  
3    **approximately 150 residential accounts.**

4    Q.     Describe the interconnection between Carolina Water Service and Midlands  
5    sewer systems.

6    **A.     Midlands has constructed approximately 1,800 linear feet of eight-inch**  
7    **gravity sewer main and related appurtenances. In addition, the Vanarsdale lagoon**  
8    **was closed out in accordance with DHEC guidelines.**

9    Q.     At what cost did Midlands connect to Carolina Water Service?

10   **A.     Midlands paid Carolina Water Service \$83,000 in principal and \$7,770 in**  
11   **interest charges for treatment capacity in the Carolina Water Service I-20 system.**

12   Q.     How much does Carolina Water Service currently charge Midlands for treatment?

13   **A.     Under our agreement, Midlands pays \$11.00 per month per customer.**

14   Q.     What does Midlands presently charge its Vanarsdale customers?

15   **A.     We currently charge our Vanarsdale customers the tariffed rate of \$26.70**  
16   **per month.**

17   Q.     How will the proposed Carolina Water Service schedule of rates affect the  
18   Vanarsdale customers of Midlands?

19   **A.     The application, if approved, will result in a large increase to Midlands for**  
20   **bulk treatment services. This increase will, in turn, force Midlands to pass through**  
21   **a substantial increase to our Vanarsdale customers.**

22   Q.     Under your agreement with Carolina Water Service, what is the appropriate rate  
23   to be charged to Midlands?

1    **A.     The rate should be in conformance with the order in docket no. 95-1151-S**  
2    **approving the existing contract, under which Midlands is paying Carolina Water**  
3    **Service for treatment and disposal costs only. The treatment and disposal costs are**  
4    **calculated by subtracting the collection only charge (pass-through charge) from the**  
5    **full residential rate. Any rates charged above these treatment costs will result in**  
6    **Midlands' Vanarsdale customers subsidizing all of the other Carolina Water Service**  
7    **customers.**

8    **Q.     If you assimilate the contract now between Midlands, and Carolina Water**  
9    **Service, how would the same terms be applied in Carolina Water Service current**  
10   **application?**

11   **A.     A treatment only charge would require \$14.77 rather than \$11.00. The**  
12   **treatment only charge would be calculated by taking the proposed full service rate**  
13   **(\$40.92) and subtracting the proposed collection only charge (\$26.15) to yield a new**  
14   **treatment only charge of \$14.77, constituting a very substantial increase above our**  
15   **existing contract of 134%.**

16   **Q.     What rate does Carolina Water Service intend on charging Midlands in this rate**  
17   **case application?**

18   **A.     It appears that Carolina Water Service intends to charge Midlands \$29.68**  
19   **per customer in Vanarsdale. Carolina Water Service is now seeking to charge**  
20   **Midlands' customers for services that it does not provide to them. These services**  
21   **include collection, transportation, billing, complaints, etc.**

22   **Q.     How would a rate increase of this magnitude affect customers in the Vanarsdale**  
23   **community?**

1    **A.     The community that Midlands serves is a moderate-income neighborhood**  
2    **and the effect of these rates on many of these residents could be significant, if not,**  
3    **egregious. According to its direct testimony and schedules, Carolina Water Service**  
4    **is requesting a 270% increase Midlands' Vanarsdale customers. Our customers**  
5    **have already invested in the capacity of Carolina Water Service's existing treatment**  
6    **facility. Just because the requested rate is a pass-through for Midlands does not**  
7    **make the proposed rate fair and reasonable.**

8    **Q.     Mr. Parnell, are the rates proposed by Carolina Water Service on Midlands'**  
9    **Vanarsdale customers fair and reasonable?**

10   **A.     No. Without direct notice to Midlands' Vanarsdale customers, Carolina**  
11   **Water Service now seeks to charge these customers a new rate with charges above**  
12   **their existing service level. Only the pass through amount should be charged as now**  
13   **exists under our contract, not as proposed.**

14   **Q.     Does this conclude your testimony?**

15   **A.     Yes.**

# **EXHIBIT A**

**Direct Testimony of Keith G. Parnell**

**Docket No. 2004-357-W/S**



# MIDLANDS UTILITY, INC.

816 EAST MAIN STREET • P.O. BOX 887  
LEXINGTON, SOUTH CAROLINA 29071  
TELEPHONE: 359-4803

TRANSMITTED BY FACSIMILE

September 17, 1993

Mr. Stephen Kennedy  
Utilities, Inc.  
2335 Sanders Rd.  
Northbrook, Illinois 60062-6196

Fax (708) 498-2066

Dear Mr. Kennedy:

Re: Connection of Vanarsdale  
Wastewater Treatment Facility  
To Carolina Water  
I-20 Facility

This letter is to confirm the acceptance of your bulk treatment proposal dated August 17, 1993 for the above referenced project. The proposal stated in your letter consist of the following:

"We would be willing to provide bulk treatment service at a monthly rate of \$11.00 per customer, or such other rate approved by the South Carolina Public Service Commission. In addition, we would require an impact fee of \$83,000.00 or \$200 per single family equivalent. Midlands Utilities would also be responsible for the cost of the interconnecting and the purchase of a flow meter."

This letter is being faxed to your office this date to comply with the 30 day limit on the proposal.

Thank you for your interest in this project. We look forward in working with you and Keith Murphy in Columbia. Should you have any questions or if any additional information is required, feel free to contact me.

Sincerely,

MIDLANDS UTILITY, INC.

Keith G. Parnell, P.E.

KGP/gro

cc: file  
Keith Murphy ✓  
Robin Foy  
Charles Creech

RECEIVED

SEP 23 1993

Carolina Water Service, Inc.



# UTILITIES, INC.

2335 Sanders Road  
Northbrook, Illinois 60062-6196  
708/498-6440  
FAX 708/498-2066

August 17, 1993

Mr. Keith Parnell  
Midlands Utilities, Inc.  
818 East Main Street  
Lexington, SC 29071

Dear Mr. Parnell:

Mr. Keith Murphy from our regional office in Columbia recently informed me that you are currently evaluating alternatives to eliminate the discharge of your Vanarsdale wastewater treatment facility as mandated by the Central Midlands Planning Commission and the South Carolina DHEC.

We are willing to make the following two proposals for your consideration:

- We would be willing to purchase the Vanarsdale wastewater treatment facility for \$6,000, free and clear of all liabilities and encumbrances. Given that many expenditures would be necessary to bring the system into compliance with our Company standards, we feel that this sum is fair and reasonable.

OR


- We would be willing to provide bulk treatment service at a monthly rate of \$11.00 per customer, or such other rate as approved by the South Carolina PSC. In addition, we would require an impact fee of \$63,000, or \$200 per single family equivalent. Midlands Utilities would also be responsible for the cost of interconnecting and the purchase of a flow meter.

Both of these proposals are contingent upon our receiving verification that DHEC would add the permitted capacity from the Vanarsdale system to the current permitted capacity of 800,000 gpd at CWS's I-20 regional treatment facility. We understand that the current permitted capacity at Vanarsdale is approximately 150,000 gpd.

We agree to honor these proposals for a period of 30 days.

Please let me know if either of the two proposals are acceptable to your company. I look forward to your response.

Sincerely,



Stephen Kennedy  
Director, Corporate Operations

cc: Ron Vinson, Central Midlands Regional Planning Commission  
J. Robin Foy, DHEC  
Keith Murphy, Carolina Water Service, Inc.

# **EXHIBIT B**

**Direct Testimony of Keith G. Parnell**

**Docket No. 2004-357-W/S**

September 20, 1995

Frank R. Ellerbe, III, Esquire  
Robinson, McFadden & Moore, PC  
Post Office Box 944  
Columbia, SC 29202

IN RE: DOCKET NO. 95-1151-S

Dear Mr. Ellerbe:

This is to advise you that on September 12, 1995, the Commission voted to approve the Petition of Midlands Utility, Inc. for approval of the contract with Carolina Water Service, Inc. for the treatment of wastewater from the Vanarsdale Subdivision.

Please be advised that the Commission will consider any rate impact on the Midlands' customers at the time such a request is made.

If we can be of any further help in this matter, please do not hesitate to contact this office.

Sincerely,

Charles A. Creech  
Utilities Department

CAC:pao

c: Richard Whitt, Esquire  
Keith Parnell, P.E.

## CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that (s)he has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: Application of Carolina Water Srevices, Inc. for an  
Adjustment of Rates and Charges and Modification of Certain  
Terms and Conditions for the Provision of Water and Sewer  
Services

DOCKET NO. 2004-357-W/S

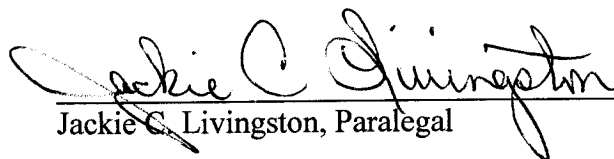
PARTIES SERVED: John M.S. Hoefer, Esquire  
Willoughby & Hoefer, PA  
P.O. Box 8416  
Columbia, SC 29202

Florence P. Belser, Esquire  
ORS  
1441 Main Street, Ste. 300  
Columbia, SC 29201

Jessica J. O. King, Esquire  
DHEC  
2600 Bull Street  
Columbia, SC 29201

PLEADING: Direct Testimony of Keith G. Parnell

April 20, 2005

  
Jackie C. Livingston, Paralegal

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